PPB

STATE OF ILLINOIS
PROCUREMENT POLICY BOARD

Chairman: David Vaught
Members: Michael Bass, Ed Bedore, Diego Ferrer, Ricardo Morales

Minutes – November 5, 2009 Meeting

Present in Springfield:	David Vaught Ed Bedore Rick Morales Diego Ferrer
Present in Urbana:	Mike Bass

The Board started the meeting by confirming attendance at 11:00 a.m.

Member Morales made a motion to approve the minutes of October 8, 2009. The motion was seconded by Member Bedore. The motion was unanimously approved.

First on the agenda was EPA Rules – Procurement. Director Matt Brown stated that this is a procurement rule that was not repealed at the time the Procurement Code became law. It was abandoned when CMS adopted their procurement rules that provide oversight for all State agencies. It is appropriate that EPA remove this obsolete rule and staff recommends the approval of repeal the action. Member Bedore made a motion to repeal the rule for EPA and was seconded by Member Morales. The motion was unanimously approved.

Next was CMS Rules – Acquisition, Management and Disposal of Real Property. Director Brown stated that this particular section of rules has been submitted at the request of the Procurement Policy Board. These are the standard that CMS intends to move forward to validate square foot headcount per person. Established through this proposal is a formulated equation based on replacement costs and depreciated values associated with the facilities. This Rule was filed with JCAR on Friday, October 30 and staff has not had the opportunity to review the context or impact and has not created an analysis. Director Brown stated that he indicated to CMS that the Board would have questions on its impact to the portfolio, both below and above 10,000 square feet. Specifically how far it works its way into the portfolio as well as the significance and relative cost to each facility. With a specific formula like this Director Brown suggested there might be some forecasting available from CMS and they can share with the Board. Director Brown's suggestion at this time is to allow staff to proceed with the evaluation and place this on the December agenda. Member Morales requested that this be postponed until the next PPB meeting in December. Chairman Vaught stated that it will be moved to December's agenda with further explanation and staff review.

Next on the agenda was CMS Facilities. In attendance was Nick Kanellopoulos representing Bureau of Property Management for CMS. Mr. Kanellopoulos stated that he wanted to give some updates to the Board. As of today there are 83 holdover leases – 59 of which are currently in holdover and 24 of which will expire between now and June 30, 2010. Also Mr. Kanellopoulos wanted to give an update on progress that was made in security reductions. Based on reductions plus a new security contract that is in place, which has lower rates than the previous contract,

511 WEST CAPITOL, SUITE 102, SPRINGFIELD, IL 62704
Telephone: (217) 785-3988 Fax: (217) 557-9927 TTY (888) 642-3450

CMS has achieved an 18.4% decrease in cost of the contract from about $13.2 million to $10.8 million and there has been a 17% reduction in the number of hours. It is hoped by the end to get 20.6% reduction in hours and get 22% in annual savings in the contract. Chairman Vaught asked if the savings were annually based. Mr. Kanellopoulos replied affirmatively. Member Bedore stated that CMS is making great progress on reducing the number of holdovers, but had a question on lease #4955 that just came out October 26. He stated that this lease expired in 2006 and wanted to know why it took three years to get this to the Board. It is a parking lease for $195 a month and took three years to get this to the Board. This lease doesn't need the Board approval. Member Bedore wanted Mr. Kanellopoulos to explain this. Mr. Kanellopoulos replied that he could not explain why this particular lease has taken so long to get to the Board and wasn't prepared to discuss this. Member Bedore stated that he understands this is just now coming up, but doesn't understand why it takes three years to get this $195 a month lease to the Board and believes that it demonstrates there is something wrong in the lease process at CMS. Chairman Vaught asked if they could provide a follow-up answer at the next PPB meeting. Mr. Kanellopoulos continued stating that CMS has continued looking at over the last few months; energy conservation and the greening of leases. Director Brown wanted Mr. Kanellopoulos to elaborate for the Board about the geographic limitations to the statewide energy contract and confirm it is not accessible from all locations. Mr. Kanellopoulos replied affirmatively. It is accessible in ComEd and Ameren territories and is not accessible in CWLP and a few other small municipal owned facilities. Director Brown also wanted to know that as an owner of that contract if the rights are transferable through a lease considering the State is the end user. Mr. Kanellopoulos replied that he would like to double check and answer at next month's Board meeting.

Assistant Director of CMS Steve McCurdy stated that as a result from discussions at last month's meeting CMS has taken a hard look as a pilot at the printers in the DCFS building and CMS Assistant Director Christine Cegelis to elaborate. Ms. Cegelis stated that one of the reasons that the printing and fax machines have been such a problem is that in the past when agencies purchased new equipment they would end up re-deploying older equipment in new places or end up stock-piling it. The issue is that the older equipment is not energy efficient; it is more expensive to run. As of January 1, 2010 CMS is no longer going to repair equipment that is not Energy Star rated. Anything that was ordered through the master contracts in the last six years should be Energy Star equipment. CMS is also prepared to go into the DCFS Mendenhall building with a printer specialist and an end user computer specialist to take a look at what printers, faxes and scanning material they have and surplus anything that is not needed, develop a plan for them for better utilization for their networked pieces and come up with a plan that can be put forward to the Green Government Coordinating Council so CMS can move forward under the green banner of just using the appropriate equipment in the right places. This will cut down on energy spending and also contain cost for the purchase of printers as well as printer maintenance. The Board had no additional questions.

Next on the agenda was DOC lease #4355 at 1301 Concordia. In attendance was Ken Sharkey leasing rep with CMS and Tony Small with DOC. Mr. Sharkey wanted to answer some of the questions that were raised at last month's meeting. Mr. Sharkey stated that one question was on the janitorial rate and stated the actual increase for the rate for janitorial services is 11.65%. This increased rate is attributed to the collective bargaining agreement by local 73 Service Employee International and the vendor Business Cleaning. CMS caused some confusion on this issue since the white paper stated only $0.58 for janitorial when in fact it is $1.03. The current least provides for a monthly charge of $9,645 compared to the proposed $11,413.65. The new lease also provides for additional cleaning of 6,626 sq. ft of space on the third floor of Burd Hall. Mr.

Sharkey apologized for the error on the white paper. Another question was how many people were at this facility and is the State paying an operating engineer to run the power plant and does it meet EPA standards. Mr. Sharkey stated that there are three maintenance staff associated with the Concordia Campus. One is an operating engineer, one is a maintenance craftsman, and one is a painter. The power plant is operated by the lessor's staff person and is powered by natural gas. When Mr. Sharkey inspected the power plant certificates on the wall issued by the Fire Marshal were expired, however the inspection had in fact been done and the certificates are on the wall now or soon will be replaced. Member Bedore asked if the employees were State employees. Mr. Sharkey replied affirmatively. Member Bedore stated that when looking at the annual costs of this facility it is definitely understated. The estimated annual cost of this lease is $3.8 million really $3.8 million plus the salaries and benefits of an operating engineer, painter and a maintenance person. Mr. Sharkey replied affirmatively. Member Bedore wanted to know at other State facilities do State employees paint the walls. Mr. Sharkey replied that he wasn't sure, but in some cases it might be correct. Member Bedore stated that CMS goes out and rents a building and then hires State employees to paint it, operate the boiler. Member Bedore said he has never heard of anything like this. Isn't this the obligation of the landlord? Mr. Sharkey replied that as far as the boiler maintenance DOC employees do not maintain the boiler, the lessor provides a staff member to operate the boiler. Member Bedore stated that they do have an operating engineer. Mr. Sharkey replied affirmatively. Mr. Sharkey then stated that he inspected Burd Hall where the elevator is going to be installed and the cost of that would be about $1 million. It is a three story structure and CMS did a head count for the third floor and there are eight employees. The agency has told him that DOC will be moving additional employees to that space. Member Bedore commented that the State is going to spend $1 million to put in an elevator to have eight people on the third floor of this building. Wouldn't it be better instead of the lessor spending the million to put in the elevator is to move those eight people to another location and reduce space and the rent. Chairman Vaught would like to hear from DOC in regards to these questions.

CFO Tony Small with DOC stated that the three employee titles that were given were correct. The engineer's position has nothing to do with the boiler. He is responsible for overseeing the maintenance of the facility. The maintenance craftsman does any repairs needed to be done or moved. They do general maintenance activities. The painter would do the same. He would paint all the walls within the facility over a course of a year. Chairman Vaught wanted to know on an annual basis what these employees are costing the State. Mr. Small replied that he did not have their salaries, but the average salary for the department is about $50,000 - $55,000, which would be about $150,000 with benefits is about an average of $185,000 for those employees. Mr. Vaught stated that when you add everything up it is almost another million dollars on top of $17 million over five years. So, when you add the million for salaries it is about $18 million. Mr. Small replied affirmatively. Mr. Small stated that in regards to the third floor of Burd Hall back in 2007, DOC, CJA, IEMA, ISP and SFM were located on the campus. Each building was looked at to place 59 staff people and the only space that was not being utilized was the third floor of Burd Hall. In the past the space was used for dormitories and those were converted into office space. Mr. Small stated that there are only eight employees up there, but five or six more people could be added to make 13-14 and to maintain within the State Fire Marshal Code requirements the elevator needed to be installed. Mr. Small stated that in the past 3-4 years they have lost a lot of staff. In fiscal year 2003 there were 13,000 employees in total at the department and about 400 or so at the Concordia Campus. During that time all across State Government staff decreased. Member Bedore stated that in the past there were over 400 employees at Concordia Campus and now there are 332. Being down 80-90 employees you cannot tell the Board that DOC cannot find room for 8 employees on the campus. Mr. Small wanted to correct his statement. The 400 is correct. About 5-6 years ago there was another location that was considered Concordia Campus where the school district staff was located. Since that time the lease was closed and all the staff were brought back to Concordia. Mr. Small stated that he might be off as to how many were at that facility. Back then DOC was at around 400 and now they are at 332, but that does not include the other facility where the school district was housed. Member Bedore stated that the point is that if he was to go look there today and from what you are saying to the Board that in all of those 20 other buildings that you cannot find space for eight people. If DOC could find space for these eight people the State would not have to spend the million dollars for the elevator and could close the third floor. You would save a million dollars for the elevator and you would save on janitorial on this lease. Member Bedore stated that he agrees that the people on the third floor should not have to walk up to the third floor and the State Fire Marshal is correct and agrees with everything you have said on accessibility. The only thing Member Bedore did not agree with is why DOC needs the third floor at all. Chairman Vaught stated that there were other questions that needed to be answered before moving on. Mr. Sharkey stated that the white paper states 119,000 sq. ft. was for office space that leaves 105,000 sq. ft for the power plant, garages and other buildings and why is the State paying $14.35 for a garage and power plant. Mr. Sharkey replied that it was a good question. The State has been paying that rate for this facility for a long time. The lessor has been determined to keep this past arrangement. A viable alternative would be to look for an alternative location at least to have leverage or a back up to break this rate agreement with the lessor. With an alternative site the agency would still have to fulfill its mission and to maintain their current operation. Member Bedore stated that it does not take too much effort on CMS part to drive around and write down phone numbers like he has done. 623 East Adams 33,000 sq. ft. of space $10 a square foot. Another one at 622 East Washington is $8.00 a square foot. This is in downtown Springfield. There is a lease that was submitted to the Board and negotiated by CMS lease #6082 the Illinois Violence Prevention Authority on South 5th in Springfield. The rate is $10.82 and that includes a build-out and is all inclusive. It is totally unacceptable that DOC cannot get another rate on the garages and power plant. In the past this Board has recognized dual rates for office space and storage space. Mr. Sharkey agreed that there have been some better rate deals done here in Springfield.

Another comment was to move to the old District 9 Headquarters. Mr. Small stated that when looking at that facility, the ISP training academy for their officers is about 26 weeks. DOC classes are six weeks long. To merge DOC and DJJ to that location would be very difficult. They have between 50-60 trainees going through their class and DOC has about 120 trainees. Chairman Vaught asked what facilities are used for training purposes. Mr. Small replied that the gym, dormitories, and classrooms are used for the cadet training program. The classrooms are also used for in-service training. Member Bedore commented that just on this issue alone if CMS was to negotiate a 50% reduction of the $14.35, for the garage and power plant, it would be $600,000 a year. Mr. Sharkey stated that the last question on the lease was the purchase option and why that was not included. Mr. Kanellopoulos replied that the lessor continues to refuse giving the State a purchase option. Chairman Vaught stated that if the lessor refuses to do that on a headquarters building on a major agency in Springfield, then the Board may have to have a discussion with DOC on where they are going to move their headquarters. Member Bedore wanted to know how many guards are going to be laid off. Mr. Sharkey replied that the plan is to lay off 413 staff - it has been held up in litigation so CMS is just waiting to see what is going to happen with that. Member Bedore asked if they were all guards. Mr. Sharkey replied that 95% of them are guards and some other staff at the facilities. A motion to object to this lease was made by Member Morales and was seconded by Member Bedore. The motion was unanimously approved to object to this lease.

Next was HFS lease #5602 at 2200 Churchill Rd in Springfield. Mr. Kanellopoulos stated that Carol Greene with HFS was also in attendance to help answer any questions. Mr. Kanellopoulos gave a brief overview of the lease and presented the plans to move an additional 75-80 more people into the facility, which will terminate other HFS leases. Mr. Kanellopoulos stated that he could not go into too much detail yet. CMS could provide a timeline at the next PPB meeting. Mr. Kanellopoulos asked the Board to approve this lease so they can move forward with the re-set. Member Bedore commented that he agreed with everything, but CMS wants the Board to trust them that what they say will all happen. No further questions were asked. Member Bedore made a motion to accept this lease as presented and was seconded by Member Ferrer.

Next was DHS lease #5515 at 823 East Monroe Street in Springfield. Mr. McCurdy stated that this is a holdover lease that was recently negotiated at a full service rate of $12.65 and has a 120-day cancellation clause. Member Bedore stated that he has been to the building and says that this is a fair lease. The square footage is a little high and he wanted to know if they could provide an explanation to that. A representative for DHS replied that the issue is that the building has two separate agencies in there – DHS and the Bureau of Collections. The Bureau of Collections and the IRS have certain guideline requirements about their space and how to use it and DHS is not allowed to bring in other people and co-locate them with them. CMS has checked into that several times. On the training side the Bureau is not bound by those same requirements and CMS is checking into moving some people into that location. No further questions were asked. A motion to approve this lease was made by Member Bedore and was seconded by Member Morales. The motion was unanimously approved.

Next was DHS lease #4840 at 300 Maine Street in Quincy. Mr. Sharkey stated that this lease allows for consolidation of space, which eliminates lease #742. The lease being eliminated at 2435 Broadway has been occupied by DHS and contains 5,400 sq. ft and cost $6.98. This moved requires a $34,086 amortization cost over five years at 5% interest. The current lease space totals 14,756 sq. ft. with a base rent at $7.01. By eliminating the lease on Broadway the State will have an annual saving of about $53,985. The lease can be canceled at any time after the 36th month. The overall sq. ft. per employee for the building is 388. Member Bedore does not know why the State has to pay for electronic door openers for the entrance and bathrooms to bring his building up to ADA standards. If a building is being leased by the State it should already meet ADA standards. Mr. Sharkey replied that they would take note and will apply going forward. A motion to accept the lease as presented noting the comments made by Member Bedore was made by Member Morales and was seconded by Member Ferrer. The motion was approved with a vote of four yes and Member Bedore abstained.

Next was DCFS lease #321A at Withers Drive in Mr. Vernon. This lease has been there since 2004. The proposed base rate will remain the same as the current base rate at $11.95 and will allow for a 2% increase in years 2 and 4. The tax escalation clause is being eliminated going forward in the new lease. This action reduced the cost of the proposed lease over $16,000. The overall sq. ft. of space per employee is 250. Since the white paper has been submitted, DCFS has announced the closing of its Salem location. That location housed 19 staff members and plans to be relocated to the Mt. Vernon office or Effingham. With no further questions or comments a motion to accept this lease as presented was made by Member Bedore and was seconded by Member Morales. The motion was unanimously approved.

Next on the agenda was the official review of SIUE Vehicle Program. In attendance was Bob Baker representing the Chief Procurement Officer for Higher Education, SIUE State Purchasing Officer Kenn Neher, and Director of Purchases at SIUE Nancy Ufert-Fairless. Mr. Neher would be happy to answer any questions the Board might have about this transaction. Director Matt Brown stated that the Board placed this particular transaction under review initially for a single reason. It was associated with an advertising package related to the solicitation. It was unclear to Board staff and in the review of the document it may have also been unclear to the vendors when it was issued that the sponsorship package was an offer to incentivize bidders by allowing them free advertising with the University. The solicitation was not express and left interpretation up to the reader. The concern was that solicitation suggested paid advertising must accompany the bid. It has always been made clear that the express intent of the soliciting Agency or University better serves the process. Upon review, it was also identified that the acquisition of these vehicles with lease terms lead the PPB to investigate whether the necessity of financing was relevant to the underlying the lease. PPB became concerned that the vendors were not able to put their best foot forward by not knowing what capacity the University would be financing or if it was required at all. The selected vendor was not able to extend the offer because the parent company was concerned about financing in general with University organizations and at that point determined they would not issue financing. The award was nullified. The review was continued to demonstrate to all CPO's that express intent in these solicitations would certainly further the process and clarified for these vendors and vendors who choose not to participate what the expectation of the University was. Chairman Vaught asked if it was normal to include one of these terms and not include it in the scoring. Mr. Neher replied that it is not normal to offer the sponsorship packages at all. He stated that this was the third time they had gone out for bid on these vehicles. The first two times out for bid they only received a single bid. This last time around they got the idea to offer free advertising in their sports venue with an incentive to get more competition. The reason there was no scoring on this was because none of the responders expressed an interest. If they had it might have been scored at that point. Mr. Neher stated that they do agree that it could have been clearer and will strive to do that in the future. No further questions were asked.

Next on the agenda was Legislation. Director Brown stated that the piece of legislation the Board has been most interested that was pending veto session was SB51. It is now understood that the effective date of SB51 as it was originally passed by the General Assembly will be July 1, 2010. The legislature moved to override the Governor's veto in both chambers. The expectation is that SB51 will have full implementation by July 1, 2010. It is also understood initially that there are still some concerns about very specific identifiable problems that processes created in SB51 need to be adjusted and that the General Assembly is intending on helping work through those issues in the Spring session with a new piece of legislation. An early session effort so that those implementing the law have the most opportunity to create policy and operational changes will be promoted. It seems to be appropriate for the CPO's to coordinate on commonality with this application as well as to identify those areas that may have concerns. Director Brown stated that he has organized a meeting for the CPO's on November 17th and will be able to report back at the next. Director Brown also wanted to comment that he was invited by the Senate State Government Administration and Veteran Affairs for the purpose of discussing subject matter specific topics of the Tollway Oasis going in to receivership as well as the prospective Tollway procurement for open enrollment tolling as well as their support components for violation collections and customer support. It is the opinion of that committee and a request of other members of the General Assembly that the Procurement Policy Board be involved in both of those areas. The PPB was requested to help in drafting legislation that will institutionalize a level of guidance for public-private partnerships, which the Tollway entered into for the re-development of the Oasis. Director Brown stated that he was not able to respond to them with any level of commitment before bringing this back to the Board and would expect to give the

Board members more detailed explanation of exactly what the topic is and how far this Board would go to be an able, helpful participant to this process.

The next Board meeting is set for December 3rd at 11:30 a.m. in Chicago.

With no other business to discuss Member Bedore made a motion to adjourn at 12:50 p.m. and was seconded by Member Morales. The motion was unanimously approved.